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Last-resort health coverage barely covers

With their preexisting conditions, the Perrys can't get private coverage. Now they're spending retirement funds on a state policy that caps at \$75,000 a year. What if a catastrophe happens?

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The state's Major Risk Medical Insurance Program is meant to serve as a last resort for the up to 400,000 Californians who have been rejected for health coverage by private insurers because of medical problems.

But it's not easy to get into. It's not comprehensive. And it's not cheap.

Los Angeles residents Susan and Stephen Perry recently turned to the program after being shown the door by money-minded private insurers.

Susan, 62, a freelance writer, was diagnosed with ulcerative colitis, a digestive disorder, four years ago. Stephen, 58, a part-time teacher and a poet, has Type 2 diabetes.

"We're spending all our retirement cash," Susan told me. "But this is the only insurance we could get."

The program is clearly well intended. But it shows just how bad our healthcare system is for those who fall into the cracks -- and how the pursuit of even limited coverage can wipe out a family financially.

The Perrys had been covered by insurance offered by PEN American Center, an organization of writers and artists, until they received notice recently that their combined monthly premium would soon top \$2,000.

So they went shopping for coverage among private insurers and

discovered that their business wasn't wanted -- by anyone.

That left only the Major Risk Medical Insurance Program, which charges the Perrys \$1,746.29 a month for coverage provided by Blue Shield of California. That's almost \$21,000 a year.

For that, they enjoy a relatively low \$500 annual deductible. But they also face an annual cap of \$75,000 in payouts. God forbid if one of them suffers an expensive illness or injury.

"It's very scary," Susan said, her voice hushed.

"I don't know what we would do."

It's no secret that the healthcare system is unfriendly to those who aren't insured through employer-based group plans.

It's even worse for those who have what the insurance industry calls "preexisting conditions" -- that is, a proven need for the product insurers sell, thus making such people bad for insurers' business.

The Major Risk Medical Insurance Program, or MRMIP -- pronounced "Mister Mip" -- is essentially catastrophic health insurance that doesn't cover catastrophes.

It's last-ditch insurance that's intended to safeguard hundreds of thousands of Californians turned away by private insurers but that lacks the funds to cover more than 7,100 people at any given time.

It's a system so anemic that even its boss readily acknowledges its shortcomings.

"We don't advertise the program because we can't handle everyone who comes to us already," said Lesley Cummings, executive director of the state's Major Risk Medical Insurance Board, which oversees MRMIP.

That won't provide much solace to those having trouble getting insured.

"I can't provide solace," Cummings said. "This is very problematic."

MRMIP was established in 1991 to address the growing problem of people with medical conditions being pushed aside by private insurers. Almost from the first day the program was unveiled, a waiting list has existed for enrollment.

It currently takes as long as four months to be enrolled in MRMIP. And even then, you have to wait three months more for coverage of prescription drugs to kick in.

To accommodate more people, the state created a companion system, the Guaranteed Issue Pilot Program, which now provides coverage to about 6,000 people. But that program was closed to new enrollment after participating insurers balked at some of the state's terms.

Under MRMIP, California taxpayers pay 40% of the premiums to enroll people in individual plans offered by Kaiser Permanente, Blue Shield and Anthem Blue Cross. Those premiums can run as much as 37% higher than market rates for similar individual policies because of the enrollees' medical history.

And the \$75,000 cap on annual coverage is among

the lowest such limits among similar state programs nationwide.

Cummings acknowledged that the cap makes MRMIP's coverage less than comprehensive. But she said that by spending less money on each patient, the program can extend its reach.

"The board did that not because we think it's great policy," she said, "but because it allows us to cover more people."

But at these monthly rates, shouldn't the insurance be there for you in the event something catastrophic happens? For example, cancer treatment can easily top \$100,000.

"If you get into a situation where you go over \$75,000 a year, you're on your own," Cummings said.

She added: "It's actually quite comprehensive coverage, up to where it stops."

Cummings said the only hope for improvement was in efforts at the federal level to reform the nation's healthcare system. If President Obama succeeds in creating a public plan to compete with private insurers, she said, MRMIP would shut down immediately as the uninsured and underinsured flock to the new offering.

Similarly, she said, MRMIP could be disbanded if private insurers ended their practice of rejecting people with preexisting conditions -- which they say they'd do if the government imposed a mandate that people buy coverage.

As it stands, many people would probably decide that it's cheaper to go without coverage than to pay nearly \$900 a month per person.

The Perrys say they considered that but ultimately decided it was better to have some sort of insurance. "I'd rather not gamble with my life and the life of my loved one," Susan said.

So they pay their huge premiums, deplete their bank account and hope they'll make it a few more years, when they'll finally qualify for Medicare. They'll be pretty much broke at that point, but covered.

I asked Cummings what words of comfort she might have for people in the Perrys' position.

She went silent.

"Do you hear me talking?" Cummings said at last.

Loud and clear.

David Lazarus' column runs Wednesdays and Sundays. Send your tips or feedback to david.lazarus@latimes.com.